THE CANADIAN WHEAT BOARD

Report to Producers
on the
1987-88 Crop Year

On peut se procurer, sur demande, le texte français du rapport annuel dans sa version complète auprès du Service de l'Information de la Commission canadienne du blé.

INTRODUCTION

The 1987-88 crop year marked several significant milestones. Estimates of world wheat trade showed a pronounced increase over 1986-87, returning world exports to levels prior to 1985-86. Total Western Canadian exports of the six major grains and grain products, at 31.7 million tonnes, surpassed the 1986-87 record of 31 million tonnes. And most importantly, returns to Prairies farmers improved for the first time in several years.

Returns would have been much better had it not been for the extensive use of export subsidies by the United States and the European Community (EC). The trade war reached new heights in 1987-88. Taking the U.S. as an example, over two-thirds of its exports were made with export subsidies. In many cases, bonus grain offered under the program brought actual U.S. selling prices more than U.S.$40 per tonne below market values.

The Wheat Board continued to price Canadian supplies at competitive levels to maintain market share and some cash flow for farmers. Although the 1987 grain crop was almost six million tonnes less than the record crop in 1986, record exports were achieved by drawing down commercial and on-farm carryovers to low levels.

As the 1987-88 crop year drew to a close, market conditions turned around completely. Reduced carryovers in the United States and Canada combined with the sharp downturn in 1988 supplies because of the North American drought brought prices up to more respectable levels. Although prices have a long way to go before they can be considered good prices and the subsidy war is still very much alive, at least farmers were able to end the 1987-88 crop year with a much higher degree of optimism.

The following report provides a condensed look at the 19[illegible] crop year. The financial statements in this report are [illegible] as those in the full report. However, if you would like to [illegible] a copy of the more detailed report, please write to t[illegible] mation Department at the address below.

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THE 1987 WORLD CROP

World production of wheat, rice, and coarse grains encountered a set back in 1987. As shown in Table 1, all grain production was estimated at 1 784.9 million tonnes. Most of the drop occurred in coarse grains. However, wheat and rice output also fell.

Wheat

World wheat production in 1987 was estimated by the International Wheat Council (IWC) at 512.8 million tonnes, down significantly from 537 million tonnes in 1986. Reduced output in the Soviet Union, India, China, Australia, and Canada accounted for most of the drop in production.

Adverse weather was the main reason for the smaller crops in these countries. The potential for a large Soviet wheat crop was first hampered by winterkill in the winter grain-producing area. This was followed by a drought in the spring wheat area east of the Ural Mountains and a very wet harvest. Although hot, dry conditions in the fall of 1987 greatly threatened winter wheat crop prospects in the North China Plain, big rains arrived in mid-October. This improved soil moisture and irrigation supplies enabled China to be the largest wheat-producing country in 1987 with a crop estimated at about 87.7 million tonnes. A Monsoon failure in India and the lower sown area and drought in Australia and Canada reduced wheat output in those countries.

Wheat production in the European Community (EC) was about the same as in 1986 and was estimated at 72 million tonnes. However, a very wet harvest greatly reduced wheat quality. It was estimated that less than half of EC wheat production was suitable for milling.

The United States produced about the same amount of wheat in 1987 as it did in 1986 (56-57 million tonnes). Hard red winter wheat yields were generally very good but the acreage was down due to acreage reduction programs. Spring wheat production increased despite reduced plantings while overall winter wheat production increased, mainly because of favorable conditions in the soft red winter wheat-producing areas of the U.S. midwest.

TABLE 1
WORLD GRAIN PRODUCTION

	Wheat [2]	Rice [3]	Coarse [2] Grains	All Grains
	(Millions of Tonnes)			
1978	451.0	385.2	763.0	1 599.2
1979	428.8	385.1	744.2	1 558.1
1980	445.3	376.5	732.7	1 554.5
1981	453.4	396.1	767.4	1 616.9
1982	482.1	412.7	781.6	1 676.4
1983	494.3	419.5	691.3	1 605.1
1984	516.7	452.7	821.1	1 790.5
1985	504.9	468.2	865.4	1 838.5
1986	537.0	470.4	845.5	1 852.9
1987 [1]	512.8	467.7	804.4	1 784.9

[1] Preliminary -- Subject to Revision
[2] Source: IWC World Wheat Statistics
[3] Source: USDA Foreign Agriculture Service "World Grain Situation and Outlook"

Durum

World durum production in 1987, at 28.6 million tonnes, came close to the record of 29.2 million tonnes produced in 1986. Record plantings enabled Canada to produce a record durum crop of about four million tonnes, even though yields were lower due to dryness. Increased plantings also enabled the EC to produce a larger crop than in 1986.

Early summer dryness affected durum yields in the U.S. The crop was also of poor quality. Although U.S. durum plantings increased from 1986 to 1987, the somewhat lower than average yields produced a below average crop.

Although Tunisia produced a very large durum crop, production in Morocco was down significantly due to a combination of weather-related events. Algerian production was down moderately. Extreme dryness at seeding followed by frost in late March/early April and extreme heat in late April had a negative effect on the durum crop in Algeria and Morocco and yields were below average.

There is little information available on the Soviet durum crop. However, it is likely that production and quality were below average as the Soviet Union increased its durum imports in 1987-88.

Coarse grains

World coarse grain production fell sharply from an estimated 845.5 million tonnes in 1986 to 804.4 million tonnes in 1987. These statistics include corn, barley, oats, sorghum, rye, millet, triticale, and mixed grains.

The main reason for the decrease was a drop in U.S. coarse grain production. Although the U.S. achieved record corn yields following favorable growing conditions, plantings were smaller because of acreage reduction programs. U.S. barley and oats yields were hit by the dry early summer and an exceptionally large area of oats was cut for feed. As a result, production of these two crops was well below average.

World barley production was estimated at 183.8 million tonnes, or 1.5 million tonnes less than 1986. The Soviet Union was once again the largest barley producer accounting for 58.4 million tonnes of the total. Soviet production in 1986 was estimated at only 53.9 million tonnes. Production in major exporting countries remained about the same as in 1986, except for the United States where production fell by about two million tonnes. The IWC estimated EC production at 47.1 million tonnes, Canadian production at 14 million tonnes, and Australian production at 3.5 million tonnes.

WORLD TRADE

World trade in wheat (including durum) rose by about 16 million tonnes in 1987-88 for a total of about 105 million tonnes. U.S. wheat exports increased sharply from 27.3 million tonnes in 1986-87 to 44.4 million tonnes in 1987-88. Canadian exports also increased by about three million tonnes for a total of 23.5 million tonnes.

U.S. officials continue to attribute the growth in trade to their export subsidy program. In fact, world trade in wheat was simply returning to levels that had existed a few years earlier. The main reason for the increase in U.S. market share was that Argentina and Australia had less total supplies with which to compete. Although EC supplies were about the same, much of its wheat was not suitable for milling.

World Wheat and Coarse Grain Trade
(Million Tonnes)

[1] Includes durum wheat and wheat flour.
[2] Includes corn, barley, sorghum, rye, oats and millet
[3] Preliminary – Subject to revision
Source: International Wheat Council, Review on the World Wheat Situation for years 1978-1984; IWC Market Report, Dec./88 for years 1985 to 1987
USDA Foreign Agr. Circular, FG25-46 1981, for Coarse Grains 1978 to 1980.

Looking just at durum, world trade hit a record 5.2 million tonnes. The Soviet Union and Algeria accounted for most of the growth in durum trade. Soviet imports rose sharply to 1.3 million tonnes, compared to only about 500 000 tonnes in 1986-87. Algerian imports rose from 1.2 to 1.7 million tonnes. Canadian and EC durum exports, at 2.8 million tonnes and 900 000 tonnes respectively, were up considerably in 1987-88. U.S. durum exports fell to only 1.5 million tonnes.

World coarse grain trade remained about the same in 1987-88. It was estimated at 86.9 million tonnes. Barley accounted for 17.1

TABLE 2
MAJOR GRAIN EXPORTERS
IN 1987-88 [1]

	Wheat and Wheat Flour	Bulk Coarse Grains [4]
	(Millions of Tonnes)	
Argentina	3.8	4.5
Australia	12.2	2.6
Canada	23.5	5.2
EEC [2&3]	14.3	7.5
United States	44.4	51.8
Others	6.8	15.3
Grand Total	105.0	86.9

[1] Preliminary -- Subject to Revision
[2] Twelve Member States
[3] Excluding EEC Intra-Trade
[4] Includes Rye, Barley, Corn, Sorghum and Mixed Grains
Source: IWC Market Report, December 1988, for all countries except Canada
Canada -- Canadian Grain Commission

million tonnes of this total, down about 3.5 million tonnes from the year before.

Decreased purchases by Saudi Arabia was the main reason for the drop in world barley trade. Saudi Arabia reduced its barley import subsidy during the 1987-88 crop year and began introducing steps to encourage domestic production. The Soviet Union also bought less barley in 1987-88.

Barley exports by the EC, Canada, and Australia fell in 1987-88 while U.S. exports remained about the same. However, as in the case of wheat, this was more due to reduced Canadian and Australian supplies than export subsidies by the United States.

Trade in oats in 1987-88 totalled 1.4 million tonnes, up from the year before. A poor oats crop in the United States combined with limited availability of Swedish and Finnish oats resulted in a strong U.S. demand for Canadian oats.

PRICES

Prices started to firm up early in the 1987-88 crop year as it became better known that supplies would not be as plentiful. This posed problems for the United States Department of Agriculture (USDA) as it had to offer higher bonuses under its export subsidy program in order to maintain prices to customers. The USDA wanted prices as low as possible because it kept EC support programs costly and increased the likelihood that the EC would come to terms regarding its export subsidies.

In November 1987, the U.S. Commodity Credit Corporation began weekly auctions of wheat stocks. Grain companies were required to use Payment-in-Kind certificates in exchange for wheat held under government programs. The U.S. futures markets consid-

TABLE 3
1987 [1] WESTERN CANADIAN YIELDS AND PRODUCTION

	ALBERTA				SASKATCHEWAN			
	Yield		Production		Yield		Production	
	1987	10-year Average 1977-86	1987	10-year Average 1977-86	1987	10-year Average 1977-86	1987	10-year Average 1977-86
	(Bus. per Acre)		(Mln. Tonnes)		(Bus. per Acre)		(Mln. Tonnes)	
Wheat	29.3	29.8	5.8	5.3	27.5	26.3	15.2	13.6
Barley	54.0	47.5	6.6	5.6	47.4	42.8	3.9	3.1
Oats	67.5	59.4	1.2	1.2	57.5	48.7	.7	.8
Rye	27.3	30.9	.2	.2	22.8	24.5	.2	.2
Flaxseed	21.7	18.5	.1	.1	19.0	16.9	.3	.2
Canola	25.3	21.3	1.6	1.2	26.2	22.7	1.5	1.2
Total Production	—	—	15.5	13.6	—	—	21.8	19.1

	MANITOBA				TOTAL WESTERN CANADA [2]			
	Yield		Production		Yield		Production	
	1987	10-year Average 1977-86	1987	10-year Average 1977-86	1987	10-year Average 1977-86	1987	10-year Average 1977-86
	(Bus. per Acre)		(Mln. Tonnes)		(Bus. per Acre)		(Mln. Tonnes)	
Wheat	29.9	30.5	3.9	3.3	28.3	27.7	25.1	22.4
Barley	52.4	48.3	1.9	1.9	51.4	46.0	12.6	10.8
Oats	60.0	53.6	.4	.5	62.9	54.7	2.4	2.5
Rye	27.7	30.9	.1	.1	24.7	28.0	.5	.6
Flaxseed	20.0	16.7	.4	.4	19.7	16.9	.7	.8
Canola	25.8	22.0	.6	.5	25.7	21.9	3.8	2.9
Total Production	—	—	7.3	6.7	—	—	45.1	40.0

[1] Preliminary -- Subject to Revision
[2] Includes British Columbia
Source: Statistics Canada

ered these auctions bearish for price because it brought stock previously isolated from the marketplace and slowed purchases from producers. It also made supplies available to U.S. exporters at less than the going market price.

At first, only about 10 million bushels were offered to U.S. grain companies each week. This quickly grew to 25 million bushels per week. Although the wheat auctions temporarily stifled price increases, the USDA was unable to keep the lid on price increases. The drop in U.S. stocks combined with drought conditions in the summer of 1988 resulted in a surge in wheat prices. By the end of the 1987-88 crop year, U.S. hard red winter wheat sales under its export subsidy program had risen to over U.S.$140 per tonne, f.o.b. Gulf. In contrast, hard red winter wheat sales had been as low as U.S.$105 per tonne, f.o.b. Gulf, early in the 1987-88 crop year.

Prices had increased for barley as well. Prices started the 1987-88 crop year as low as U.S.$40 per tonne, f.o.b. Gulf, after export subsidies. By the end of the crop year, prices were over U.S.$100 per tonne.

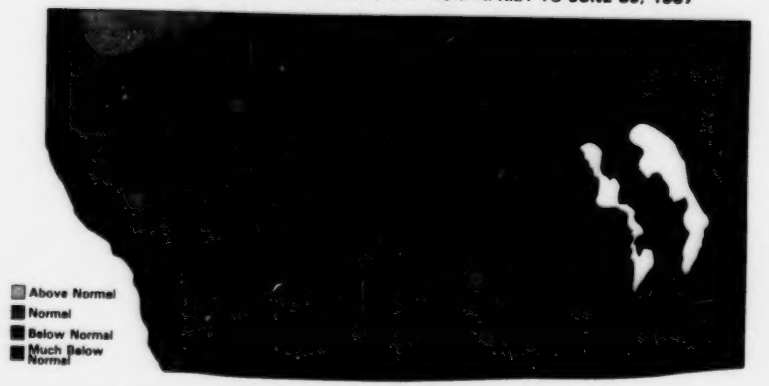
Oats prices continued strong throughout the crop year. This was due to a poor U.S. crop and restricted supply from other competitors such as Sweden and Finland.

THE 1987 WESTERN CANADIAN CROP

Western Canadian production of the six major grains in 1987 totalled about 45.1 million tonnes, which was about six million tonnes less than the record crop produced in 1986.

Crop conditions in many parts of the Prairies looked very favorable at the start of the 1987 growing season because of an early

PERCENT OF NORMAL PRECIPITATION FROM APRIL1 TO JUNE 30, 1987



PERCENT OF NORMAL ACCUMULATED PRECIPITATION FROM JULY 1, TO AUGUST 31, 1987

spring and a promising moisture situation due to good rains the previous fall. However, extremely dry and warm weather through June, as shown in the first map on page seven, reduced yield expectations considerably.

July and August were wetter than normal, as shown in the second map on page seven. Although the early July rains helped prevent severe yield deterioration in most areas, the wet weather that came later delayed harvesting and resulted in some loss of crop quality.

Dry conditions in September of 1987 allowed harvesting to be completed relatively early. Crop quality was better in 1987 than in 1986. However, continued dryness throughout the rest of 1987 raised concerns about crop prospects for 1988.

SALES OF CANADIAN GRAIN

Wheat and wheat products

A record 23.5 million tonnes of wheat and durum wheat were exported to over 100 countries during the 1987-88 crop year, including countries who received food aid shipments. The Wheat Board and its Accredited Exporters actively sought out many new markets in the crop year in order to move the large amount of total available supplies that farmers wanted to deliver.

Table 4 provides a list of the largest customers and compares exports to the two previous crop years. China increased its wheat purchases significantly in 1987-88 and became Canada's largest wheat customer. Soviet purchases dropped in 1987-88 as it purchased more wheat from the United States under export subsidy programs. Exports to the Middle East increased substantially due to increased demand. A large domestic crop enabled Brazil to reduce its wheat purchases while exports to South Korea dropped because of a lack of feed wheat supplies.

Shipments to "other" destinations again accounted for a sizable portion of wheat exports. Within this grouping, 15 countries

TABLE 4
CANADIAN WHEAT (INCLUDING DURUM) AND WHEAT FLOUR EXPORTS TO MAJOR MARKETS

	1987-88 [1]	1986-87	1985-86
	(Thousands of Tonnes)		
China	7 664	4 194	2 614
U.S.S.R.	4 500	5 391	5 219
Japan	1 484	1 349	1 272
Iran	1 113	128	61
Cuba	953	1 250	1 137
Iraq	884	691	347
Algeria	764	448	492
South Korea	617	1 173	472
Venezuela	532	150	320
Brazil	448	780	986
Italy	439	634	367
United Kingdom	413	503	702
United States	397	420	281
Others [2]	3 306	3 672	3 413
Total	23 514	20 783	17 683

[1] Preliminary -- Subject to Revision
[2] Includes Bagged Seed Exports
Source: Canadian Grain Commission for 1987-88
Previous Years -- Statistics Canada

TABLE 5
CANADIAN DURUM EXPORTS
TO MAJOR MARKETS

	1987-88 [1]	1986-87	1985-86
	(Thousands of Tonnes)		
U.S.S.R.	992	498	254
Algeria	611	423	492
Italy	231	480	255
United States	203	61	—
Venezuela	175	38	49
Libya	96	135	108
Japan	94	79	18
Belgium/Luxembourg	78	14	10
Cuba	64	58	63
German Dem. Rep.	53	47	48
Others	157	124	88
Total	2 754	1 957	1 385

[1] Preliminary -- Subject to Revision
Source: Canadian Grain Commission for 1987-88
Previous Years -- Statistics Canada

purchased between 100 000 and 500 000 tonnes each and 74 countries bought under 100 000 tonnes each.

Durum wheat

Canadian durum exports hit a record 2.8 million tonnes in 1987-88. As shown in Table 5, the Soviet Union was the largest customer, buying almost one million tonnes. Algerian purchases also rose significantly.

Barley and barley products

Exports of barley and barley products decreased in 1987-88, mainly due to a reduction in total available Canadian supplies. Soviet purchases fell significantly because of a larger domestic crop and greater availability of subsidized EC exports. Exports to Saudi Arabia were smaller because of reduced demand.

China became the third largest barley customer, buying 278 000 tonnes of malting barley. Other malting barley exports included 10 000 tonnes to Chile, 80 000 tonnes to Colombia, 24 000

TABLE 6
CANADIAN BARLEY EXPORTS
TO MAJOR MARKETS

	1987-88 [1]	1986-87	1985-86
	(Thousands of Tonnes)		
Saudi Arabia	1 678	1 941	899
Japan	899	731	839
China	278	285	213
German Dem. Rep.	260	467	571
U.S.S.R.	208	2 149	439
Iran	123	—	—
Iraq	111	—	—
Others	817	960	631
Bulk Grain Total	4 374	6 533	3 592
Malt	220	185	203
Grand Total	4 594	6 718	3 795

[1] Preliminary -- Subject to Revision
Source: Canadian Grain Commission for 1987-88
Previous Years -- Statistics Canada

tonnes to the Benelux countries, 31 000 tonnes to Ecuador, and 37 000 tonnes to the United States.

Oats

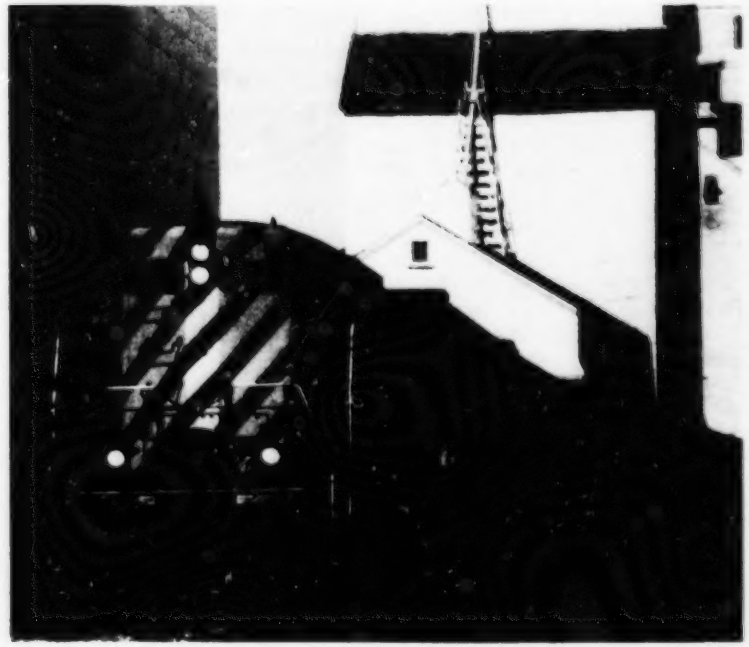
Oats exports increased for the third year in a row. Exports for 1987-88 totalled about 278 000 tonnes, compared to 255 000 tonnes in 1986-87 and 43 000 tonnes in 1985-86. Strong demand for quality oats in the United States accounted for most of the demand. The United States bought about 248 000 tonnes of the total. Other destinations included Cuba, Belgium and Luxembourg, The Netherlands, and Japan.

TRANSPORTATION AND HANDLING

The grain transportation and handling system responded to the challenge placed on it by the Wheat Board and its Accredited Exporters. A record 31.7 million tonnes of Western Canadian grain and grain products were exported during the 1987-88 crop year.

Although the Canadian crop (six major grains) was six million tonnes less than in 1986, record exports were made possible by reducing commercial stocks to only 6.8 million tonnes and farm carryover to only 5.9 million tonnes. This compares to commercial stocks of 10.2 million tonnes and on-farm stocks of 7.6 million tonnes at the end of the 1986-87 crop year.

Grain movement was hampered in the first half of the crop year as a result of several disruptions. A six-day railway strike in late August, damage to the Fraser River bridge in late November, and a six- to seven-week grain handlers strike at Prince Rupert, which began in early December, all delayed grain exports.



But, for the most part, transportation operations ran very smoothly. West Coast ports handled a record 17 million tonnes of bulk grain. About 12.8 million tonnes were exported through eastern ports and about 569 000 tonnes were exported through Churchill.

Producer deliveries began to decrease as the crop year drew to a close, resulting in one of the quietest ends to a crop year in quite some time. Space in country elevators at July 31 was estimated at about 50 per cent.

TABLE 7
DELIVERIES, SHIPMENTS AND EXPORTS OF WESTERN CANADIAN GRAIN

	Producer Deliveries		Elevator Shipments		Exports [2]	
	1987-88 [1]	1986-87	1987-88 [1]	1986-87	1987-88 [1]	1986-87
	(Thousands of Tonnes)					
Wheat	19 515	19 474	20 578	19 849	18 694	18 250
Durum	3 240	2 934	3 593	2 550	2 000	1 991
Oats	599	457	523	445	263	257
Barley	5 746	7 448	5 674	7 508	6 754	6 718
Rye	257	259	239	197	166	198 [3]
Flaxseed	601	777	554	625	686	693 [3]
Canola	3 328	3 364	2 273	2 148	3 824	2 900
Total	33 286	34 713	33 434	33 322	32 387	31 007

[1] Preliminary -- Subject to Revision
[2] Includes Products
[3] Includes Exports from Unlicensed Facilities
Source: Statistics Canada and Canadian Grain Commission

TABLE 8
SUPPLY AND DISPOSITION OF CANADIAN WHEAT, OATS AND BARLEY

	WHEAT (Including Durum)		OATS		BARLEY	
	1987-88 [1]	1986-87	1987-88 [1]	1986-87	1987-88 [1]	1986-87
	(Thousands of Tonnes)					
Inward Carryover August 1/87						
On Farms	5 007	775	870	605	1 570	1 100
In Commercial Facilities	7 724	7 799	144	171	1 602	2 209
Production	25 950	31 377	2 995	3 251	13 957	14 569
Total Supply	38 681	39 951	4 009	4 027	17 129	17 878
On Farm Use	5 128	3 957	2 606	2 528	7 285	6 646
Commercial Use	2 836	2 479	249	228	1 555	1 342
Exports	23 515	20 784	287	257	4 594	6 718
Total Use	31 479	27 220	3 142	3 013	13 434	14 706
Outward Carryover July 31/88	7 202	12 731	867	1 014	3 695	3 172

[1] Subject to Revision
Source: Statistics Canada and Canadian Grain Commission

FINANCIAL RESULTS

Details of the final operating results of the Board on the 1987-88 Pool Accounts for wheat, amber durum wheat, oats, designated oats, barley and designated barley are presented in this section of the report with commentary thereon.

POOL ACCOUNT – WHEAT

Initial Payments

At the beginning of the crop year the Board was authorized to purchase wheat from producers at a fixed initial price of $110.00 per tonne for No. 1 Canada Western Red Spring. Effective April 18, 1988, the initial price for No. 1 Canada Western Red Spring was increased to $120.00 per tonne.

Supplies of Wheat

Supplies of wheat in the 1987-88 Pool were 16 103 701 tonnes, comprised of 15 476 040 tonnes delivered by producers, 63 218 tonnes acquired from other than producers and 564 443 tonnes purchased from the previous pool.

Grade Pattern

Deliveries of grain to the 1987-88 Pool Account were of significantly better quality compared with receipts in the previous pool. Deliveries of Nos. 1 and 2 Canada Western Red Spring totaled 11.594 million tonnes or 74.92 per cent of total receipts, while No. 3 Canada Western Red Spring receipts of 3.163 million tonnes amounted to 20.44 per cent of total receipts. Deliveries of utility grades including Canada Western Feed amounted to .720 million tonnes or 4.64 per cent of total producer deliveries. Approximately .82 per cent of producer deliveries graded tough while .02 per cent graded damp compared to 6.03 per cent grading tough and .24 per cent grading damp in the previous year.

Final Statement of Operations and Surplus for Distribution to Producers – Wheat – Table A

Marketing operations on the Pool Account for wheat resulted in an operating surplus of $244,988,680. After allowing for the cost of issuing the final payment and adding estimated interest earnings

TABLE B

PAYMENTS RECEIVED BY PRODUCERS FOR PRINCIPAL GRADES OF WHEAT
BASIS IN STORE THUNDER BAY OR VANCOUVER

Grade	Initial Payments	Final Payments	Total
	(Dollars per Tonne)		
Red Spring Wheat Grades			
No. 1 Canada Western Red Spring	$120.00	$14.019	$134.019
No. 1 Canada Western Red Spring 13.5	122.21	19.596	141.806
No. 2 Canada Western Red Spring	114.21	13.661	127.871
No. 2 Canada Western Red Spring 13.5	115.21	18.809	134.019
No. 3 Canada Western Red Spring	100.21	15.571	115.781
No. 1 Canada Western Utility	99.21	25.661	124.871
No. 2 Canada Western Utility	87.21	18.661	105.871
No. 1 Canada Prairie Spring	90.21	25.571	115.781
No. 2 Canada Prairie Spring	86.21	27.571	113.781
Canada Western Feed	80.00	13.731	93.731
No. 1 Canada Western Red Winter	99.21	16.571	115.781
No. 2 Canada Western Red Winter	97.21	16.571	113.781
No. 1 Canada Western Soft White Spring	100.00	16.781	116.781
No. 2 Canada Western Soft White Spring	97.00	18.781	115.781

TABLE A

STATEMENT OF OPERATIONS AND SURPLUS FOR DISTRIBUTION TO PRODUCERS ON THE 1987-88 POOL ACCOUNT — WHEAT
For the period August 1, 1987 to September 30, 1988 with prior year figures for the 1986-87 Pool Account for comparison

	1987-88 Pool Account		1986-87 Pool Account	
	Amount	Rate per Tonne	Amount	Rate per Tonne
Receipts from Producers	15 476 040 tonnes		18 555 981 tonnes	
Sales value	$2,059,496,820	$133.076	$2,257,843,835	$121.677
Initial payments to producers	1,744,509,029	112.723	2,150,584,269	115.897
Gross Surplus	314,987,791	20.353	107,259,566	5.780
Deduct Operating Costs:				
Carrying charges:				
Country elevators	37,105,198	2.398	49,772,667	2.682
Terminal storage	16,037,805	1.036	16,582,309	.894
Total Carrying Charges	53,143,003	3.434	66,354,976	3.576
Bank interest & net interest on other Board accounts	(17,785,610)	(1.149)	(6,375,164)	(.344)
Demurrage	(265,409)	(.017)	1,770,643	.095
Additional freight — to terminals	10,542,410	.681	8,749,488	.472
— freight rate change	(1,513,861)	(.098)	825,363	.045
Handling & stop-off	1,080,148	.070	(99,389)	(.005)
Drying	52,664	.003	3,724,128	.201
Interest and depreciation on Wheat Board hopper cars	4,737,960	.306	7,150,182	.385
Wheat Board administrative expenses	20,007,806	1.293	17,130,832	.923
Total Operating Costs	69,999,111	4.523	99,231,059	5.348
Surplus on Operations	244,988,680	15.830	8,028,507	.432
Add: Interest earned after September 30 (1986-87 October 31)	6,814,351	.440	132,913	.007
Deduct: Cost of issuing final payment	136,272	.008	42,447	.002
Surplus for Distribution to Producers	$ 251,666,759	$ 16.262	$ 8,118,973	$ .437

subsequent to September 30, 1988, the net surplus for distribution to producers amounted to $251,666,759. This amount represents an average of $16.262 on producer deliveries of 15 476 040 tonnes. Table B shows the total price realized by producers for No. 1 Canada Western Red Spring at $134.019 compared to $130.00 for the previous pool.

OPERATING COSTS

Operating costs incurred applicable to the pool were $69,999,111 or $4.523 per tonne. Details of the principal costs and comment thereon follows:

Carrying Charges – $53,143,003

Total carrying charges incurred by the Board, including storage and interest charges on wheat in country elevators and storage on wheat in terminal elevators, amounted to $53,143,003 or $3.434 per tonne.

Bank Interest and Net Interest on Other Board Accounts – ($17,785,610)

This amount consists mainly of bank interest and interest paid to, or received from, other Board accounts. Interest earned exceeded interest paid by $17,785,610 or $1.149 per tonne.

Additional Freight – to Terminals – $10,542,410
– Freight Rate Change – ($1,513,861)

During the crop year the Board paid $10,542,410 of additional freight arising out of the movement of grain in adverse direction.

With the abolition of the Crows Nest Pass freight rate on December 31, 1983, freight rates are reviewed annually under the Western Grain Transportation Act. On August 1, 1988, freight rates increased by a net amount of approximately $.75 per tonne. Normally this increase in rates would result in the Board paying additional freight on its country stocks. However, since the Board's country stocks were over-delivered as at July 31, 1988, the increase in rates resulted in the Board collecting the additional freight on its over-delivered position.

Drying Charges – $52,664

Drying charges for 1987-88 totaled $52,664, a very significant decrease from the previous year, reflecting the substantially lower quantities of tough and damp grain delivered to the pool under review.

Interest and Depreciation on Wheat Board Hopper Cars – $4,737,960

Costs for the use of the Board's 2,000 hopper cars include depreciation and interest. Hopper car expenses attributable to the 1987-88 Wheat Account totaled $4,737,960 compared to $7,150,182 for the previous pool.

POOL ACCOUNT – AMBER DURUM WHEAT

Initial Payments

At the beginning of the crop year the Board was authorized to purchase amber durum wheat from producers at a fixed initial price of $110.00 per tonne for No. 1 Canada Western Amber Durum

TABLE C

STATEMENT OF OPERATIONS AND SURPLUS FOR DISTRIBUTION TO PRODUCERS ON THE 1987-88 POOL ACCOUNT — AMBER DURUM WHEAT

For the period August 1, 1987 to September 30, 1988
with prior year figures for the 1986-87 Pool Account for comparison

	1987-88 Pool Account		1986-87 Pool Account	
	Amount	Rate per Tonne	Amount	Rate per Tonne
Receipts from Producers	2 708 407 tonnes		2 865 836 tonnes	
Sales value	$439,928,513	$162.431	$407,204,103	$142.089
Initial payments to producers	321,361,389	118.653	343,855,111	119.984
Gross Surplus	118,567,124	43.778	63,348,992	22.105
Deduct Operating Costs:				
Carrying charges:				
Country elevators	9,140,017	3.375	9,493,349	3.313
Terminal storage	2,694,180	.995	4,496,472	1.569
Total Carrying Charges	11,834,197	4.370	13,989,821	4.882
Interest	(1,452,155)	(.536)	(570,302)	(.199)
Demurrage	(925,436)	(.342)	839,952	.293
Additional freight — to terminals	493,233	.182	332,687	.116
— freight rate changes	(116,671)	(.043)	234,532	.082
Handling & stop-off	2,262	.001	(145,302)	(.051)
Drying	926	—	168,588	.059
Interest and depreciation on Wheat Board hopper cars	829,173	.306	1,104,293	.385
Wheat Board administrative expenses	3,501,495	1.293	2,645,732	.923
Total Operating Costs	14,167,024	5.231	18,600,001	6.490
Surplus on Operations	104,400,100	38.547	44,748,991	15.615
Add: Interest earned after September 30 (1986-87 October 31)	2,903,885	1.072	740,827	.258
Deduct: Cost of issuing final payment	32,024	.012	40,836	.014
Surplus for Distribution to Producers	$107,271,961	$ 39.607	$ 45,448,982	$ 15.859

Wheat. Effective April 18, 1988, the initial price for No. 1 Canada Western Amber Durum was increased to $125.00 per tonne.

Supplies of Amber Durum Wheat

Supplies of amber durum wheat in the 1987-88 Pool were 3 344 639 tonnes, comprised of 2 708 407 tonnes delivered by producers, 15 104 tonnes acquired from other than producers and 621 128 tonnes purchased from the previous pool.

Grade Pattern

Receipts of Nos. 1, 2 and 3 Canada Western Amber Durum totaled 2.458 million tonnes or 90.74 per cent of total producer deliveries. Approximately 1.46 per cent of producer deliveries graded tough while .10 per cent graded damp.

Final Statement of Operations and Surplus for Distribution to Producers – Amber Durum Wheat – Table C

Table C shows the operating results of the Pool Account for the crop year. Marketing operations resulted in a surplus of $104,400,100. Operating expenses totaled $14,167,024 for the year or $5.231 per tonne. The principal cost was carrying charges amounting to $11,834,197 or $4.370 per tonne. After allowing for the cost of issuing the final payment and estimated interest earnings subsequent to September 30, 1988, the net surplus for distribution to producers was $107,271,961. This amount represents an overall average of $39.607 per tonne on producer deliveries of 2 708 407 tonnes. Table D shows the total payment received by producers for the principal grades of amber durum wheat delivered during the crop year. This table shows the total price realized by producers for No. 1 Canada Western Amber Durum Wheat of $169.359 per tonne, compared to $150.204 per tonne for the previous pool.

TABLE D

PAYMENTS RECEIVED BY PRODUCERS FOR PRINCIPAL GRADES OF AMBER DURUM WHEAT BASIS IN STORE THUNDER BAY OR VANCOUVER

Grade	Initial Payments	Final Payments	Total
	(Dollars per Tonne)		
Amber Durum Wheat Grades			
No. 1 Canada Western Amber Durum	$125.00	$44.359	$169.359
No. 2 Canada Western Amber Durum	122.00	42.210	164.210
No. 3 Canada Western Amber Durum	120.00	39.068	159.068
No. 4 Canada Western Amber Durum	95.00	32.472	127.472
No. 5 Canada Western Amber Durum	85.00	8.732	93.732

POOL ACCOUNT – OATS

Commencing August 1, 1981, as authorized by Order-in-Council, oats selected and accepted from producers for use in processing and milling for human consumption, has been set up in a separate pool under the caption "Designated Oats". As a result, the transactions described here consist mainly of marketing results related to feeding grades of oats.

Initial Payments

At the beginning of the crop year the Board was authorized to purchase oats from producers at a fixed initial price of $55.00 per

TABLE E

STATEMENT OF OPERATIONS AND SURPLUS FOR DISTRIBUTION TO PRODUCERS ON THE 1987-88 POOL ACCOUNT — OATS
For the period August 1, 1987 to September 30, 1988
with prior year figures for the 1986-87 Pool Account for comparison

	1987-88 Pool Account		1986-87 Pool Account	
	Amount	Rate per Tonne	Amount	Rate per Tonne
Receipts from Producers	256 132 tonnes		254 144 tonnes	
Sales value	$33,376,896	$130.311	$25,404,669	$99.962
Initial payments to producers	23,100,925	90.191	18,936,141	74.510
Gross Surplus	10,275,971	40.120	6,468,528	25.452
Deduct Operating Costs:				
Carrying charges:				
Country elevators	539,261	2.105	696,193	2.739
Terminal storage	602,275	2.352	589,322	2.319
Total Carrying Charges	1,141,536	4.457	1,285,515	5.058
Interest	(149,220)	(.583)	(59,352)	(.233)
Demurrage	47,455	.185	(6,196)	(.024)
Additional freight — to terminals	272,321	1.063	243,254	.957
— freight rate changes	(2,263)	(.009)	17,779	.070
Handling and Stop-off	1,023	.004	—	—
Drying Charges	4,133	.016	12,903	.051
Interest & depreciation on Wheat Board hopper cars	85,409	.334	97,929	.385
Wheat Board administrative expenses	331,134	1.293	234,625	.923
Total Operating Costs	1,731,528	6.760	1,826,457	7.187
Surplus on Operations	8,544,443	33.360	4,642,071	18.265
Add: Interest earned after September 30 (1986-87 October 31)	237,663	.928	76,850	.302
Deduct: Cost of issuing final payment	8,403	.033	12,404	.048
Surplus for Distribution to Producers	$ 8,773,703	$ 34.255	$ 4,706,517	$18.519

tonne for No. 1 Feed Oats. The initial price was increased to $80.00 per tonne on October 23, 1987, and once again on April 18, 1988, to $90.00 per tonne.

Supplies and Grade Pattern

Supplies in the regular Feed Oats Pool were 326 803 tonnes, comprised of 256 132 tonnes delivered by producers, 386 tonnes acquired from other than producers and 70 285 tonnes purchased from the previous pool. Deliveries of Nos. 1 and 2 Canada Western Oats comprised 1.18 per cent of producer deliveries with feeding grades constituting the remaining 98.82 per cent of total receipts. Board receipts of tough and damp oats made up .39 per cent of deliveries.

Final Statement of Operations and Surplus for Distribution to Producers – Oats – Table E

Table E shows the operating results of the Pool Account for the 1987-88 crop year. Marketing operations resulted in a surplus of $8,544,443. Operating expenses totaled $1,731,528 or $6.760 per tonne. The principal cost was carrying charges amounting to $1,141,536 or $4.457 per tonne. After allowing for the cost of issuing the final payment and estimated interest earnings subsequent to September 30, 1988, the net surplus for distribution to producers was $8,773,703 which represents an overall average of $34.255 per tonne on producer deliveries of 256 132 tonnes. Table F shows the total payment received by producers for the principal grades of oats delivered during the crop year.

TABLE F

PAYMENTS RECEIVED BY PRODUCERS FOR PRINCIPAL GRADES OF OATS BASIS IN STORE THUNDER BAY OR VANCOUVER

Grade	Initial Payments	Final Payments	Total
	(Dollars per Tonne)		
Oats Grades			
No. 1 Canada Western	$96.00	$40.538	$136.538
No. 2 Canada Western	94.00	40.538	134.538
Extra No. 1 Feed	92.00	36.038	128.038
No. 1 Feed	90.00	34.038	124.038
No. 2 Feed	85.90	25.638	111.538

POOL ACCOUNT – DESIGNATED OATS

Commencing August 1, 1981, as authorized by Order-in-Council, oats selected and accepted from producers for use in processing and milling for human consumption, has been set up in a separate account. This account has been labeled "Designated Oats" and the results of operations on this account with comment thereon are contained in this section of the report.

Initial Payments

At the beginning of the crop year the Board was authorized to purchase designated oats from producers at fixed initial prices of $100.00 and $98.00 per tonne for Nos. 1 and 2 Canada Western Oats respectively and $94.00 per tonne for No. 1 Feed Oats. Initial prices were increased on October 26, 1987, to $125.00 and $123.00 per tonne for Nos. 1 and 2 Canada Western Oats respectively and $119.00 per tonne for No. 1 Feed Oats.

TABLE G

STATEMENT OF OPERATIONS AND SURPLUS FOR DISTRIBUTION TO PRODUCERS ON THE 1987-88 POOL ACCOUNT — DESIGNATED OATS
For the period August 1, 1987 to September 30, 1988
with prior year figures for the 1986-87 Pool Account for comparison

	1987-88 Pool Account		1986-87 Pool Account	
	Amount	Rate per Tonne	Amount	Rate per Tonne
Receipts from Producers	76 321 tonnes		55 386 tonnes	
Sales value	$10,464,244	$137.108	$7,178,918	$129.617
Initial payments to producers	9,261,146	121.344	7,037,675	127.067
Gross Surplus	1,203,098	15.764	141,243	2.550
Deduct Operating Costs:				
Interest and bank charges	(86,990)	(1.140)	(27,400)	(.494)
Interest & depreciation on Wheat Board hopper cars	25,450	.334	21,342	.385
Wheat Board administrative expenses	98,670	1.293	51,132	.923
Total Operating Costs	37,130	.487	45,074	.814
Surplus on Operations	1,165,968	15.277	96,169	1.736
Add: Interest earned after September 30 (1986-87 October 31)	32,431	.425	1,592	.029
Deduct: Cost of issuing final payment	1,135	.015	1,309	.023
Surplus for Distribution to Producers	$ 1,197,264	$ 15.687	$ 96,452	$ 1.742

Supplies and Grade Pattern

Supplies of oats in the Designated Pool were 76 321 tonnes representing deliveries to the Board by producers during the crop year of oats which were selected and accepted by purchasers for use in processing and milling for human consumption. Receipts of Nos. 1 and 2 Canada Western Oats totaled 39 334 tonnes or 51.54 per cent of total deliveries. Feeding grades totaled 36 987 tonnes or 48.46 per cent of total receipts.

Final Statement of Operations and Surplus for Distribution to Producers – Designated Oats – Table G

Table G shows the operating results of this Pool Account for the crop year. Marketing operations resulted in a surplus of $1,165,968. As to operating costs, it should be noted that the Designated Oats Pool, by its very nature does not incur the handling expenses normally related to feeding grades of oats. It is not stored by the Board, being selected by the purchaser and shipped at his request from farm to processing plant via the country elevator. As a result, the only expenses attributable to such oats were costs related to hopper cars owned by the Wheat Board and administrative charges totaling $124,120 or $1.627 per tonne. These expenses were reduced by interest earnings of $86,990 or $1.140 per tonne on the accumulating surplus in the pool. After providing for the cost of issuing the final payment and adding estimated interest earnings subsequent to September 30, 1988, the net surplus for distribution to producers was $1,197,264 or $15.687 per tonne on producer deliveries of 76 321 tonnes. Table H shows the total payment received by producers for the principal grades of Designated Oats delivered during the crop year.

TABLE H

PAYMENTS RECEIVED BY PRODUCERS FOR PRINCIPAL GRADES OF DESIGNATED OATS BASIS IN STORE THUNDER BAY OR VANCOUVER

Grade	Initial Payments	Final Payments	Total
	(Dollars per Tonne)		
Oats Grades			
No. 1 Canada Western	$125.00	$18.593	$143.593
No. 2 Canada Western	123.00	18.593	141.593
Extra No. 1 Feed	121.00	15.707	136.707
No. 1 Feed	119.00	12.093	131.093

POOL ACCOUNT – BARLEY

Since August 1, 1975, as authorized by Order-in-Council, barley selected and accepted from producers for use in malting, pot or pearling, has been set up in a separate pool under the caption "Designated Barley". As a result, the transactions remaining in the Barley Pool Account described here consist mainly of marketing results related to feeding grades of barley.

Initial Payments

At the beginning of the crop year the Board was authorized to purchase barley from producers at fixed initial prices of $60.00 and $57.00 per tonne for Nos. 1 and 2 Canada Western Barley respectively. Effective April 18, 1988, the initial prices for Nos. 1 and 2 Canada Western Barley were increased to $65.00 and $62.00 respectively.

TABLE I

STATEMENT OF OPERATIONS AND SURPLUS FOR DISTRIBUTION TO PRODUCERS ON THE 1987-88 POOL ACCOUNT — BARLEY

For the period August 1, 1987 to September 30, 1988
with prior year figures for the 1986-87 Pool Account for comparison

	1987-88 Pool Account		1986-87 Pool Account	
	Amount	Rate per Tonne	Amount	Rate per Tonne
Receipts from Producers	2 224 961 tonnes		5 428 259 tonnes	
Sales value	$169,959,254	$ 76.388	$362,974,021	$66.867
Initial payments to producers	144,395,122	64.898	431,547,562	79.500
Gross Surplus (Deficit)	25,564,132	11.490	(68,573,541)	(12.633)
Deduct Operating Costs:				
Carrying charges:				
Country elevators	639,467	.288	8,767,644	1.615
Terminal storage	1,279,713	.575	1,725,059	.318
Total Carrying Charges	1,919,180	.863	10,492,703	1.933
Interest	(2,940,186)	(1.322)	3,365,236	.620
Demurrage	2,678,089	1.204	448,507	.083
Additional freight — to terminals	864,102	.388	986,917	.182
— freight rate changes	(359,295)	(.161)	212,161	.039
Handling and stop-off	7,554	.003	(21,312)	(.004)
Drying	31,258	.014	1,383,103	.255
Interest & depreciation onWheat Board hopper cars	681,168	.306	2,091,673	.385
Wheat Board administrative expenses	2,876,485	1.293	5,011,355	.923
Total Operating Costs	5,758,355	2.588	23,970,343	4.416
Surplus (Deficit) on Operations	19,805,777	8.902	$(92,543,884)	$(17.049)
Add: Interest earned after September 30	550,897	.248		
Deduct: Cost of issuing final payment	38,838	.018		
Surplus for Distribution to Producers	$ 20,317,836	$ 9.132		

Supplies and Grade Pattern

Supplies in the regular Feed Barley Pool were 2 259 557 tonnes comprised of 2 224 961 tonnes delivered by producers and 34 596 tonnes acquired from other than producers. Deliveries of Nos. 1 and 2 Canada Western Barley comprised 99.95 per cent of the producer deliveries in the pool. Board receipts of tough and damp barley made up .77 per cent of deliveries.

Final Statement of Operations and Surplus for Distribution to Producers – Barley – Table I

Table I shows the operating results of the Pool Account for the crop year. Marketing operations resulted in a surplus of $19,805,777. Operating expenses totaled $5,758,355 for the year or $2.588 per tonne. The principal cost was carrying charges amounting to $1,919,180 or $.863 per tonne. After allowing for the cost of issuing the final payment and estimated interest earnings subsequent to September 30, 1988, the net surplus for distribution to producers was $20,317,836. This amount represents an overall average of $9.132 per tonne on producer deliveries of 2 224 961 tonnes. Table J shows the total payment received by producers for the principal grades of barley delivered during the crop year.

TABLE J

PAYMENTS RECEIVED BY PRODUCERS FOR
PRINCIPAL GRADES OF BARLEY
BASIS IN STORE THUNDER BAY OR VANCOUVER

Grade	Initial Payments	Final Payments	Total
		(Dollars per Tonne)	
Barley Grades			
No. 1 Canada Western	$65.00	$ 9.082	$74.082
No. 2 Canada Western	62.00	11.082	73.082
Mixed Grain Canada Western Barley	52.45	9.082	61.532

POOL ACCOUNT – DESIGNATED BARLEY

As stated previously, since August 1, 1975, as authorized by Order-in-Council, barley selected and accepted from producers for use in malting, pot or pearling, has been set up in a separate pool account. This account has been labeled "Designated Barley" and the results of operations on this account with comment thereon are contained in this section of the report.

Initial Payments

At the beginning of the crop year the Board was authorized to purchase designated barley from producers at a fixed initial price of $105.00 per tonne for Special Select Canada Western Six-Row and $115.00 per tonne for Special Select Canada Western Two-Row. Effective April 18, 1988, the initial prices for Special Select Canada Western Six-Row and Special Select Canada Western Two-Row were increased to $125.00 and $135.00 per tonne respectively.

Supplies and Grade Pattern

Supplies of barley in the designated pool were 1 022 885 tonnes representing deliveries to the Board by producers during the crop year of barley which has been selected and accepted by purchasers for the use in malting, pot or pearling. Of these receipts 107 865 tonnes or 10.53 per cent were Special Select grades and 794 429 tonnes or

TABLE K

STATEMENT OF OPERATIONS AND SURPLUS FOR DISTRIBUTION TO PRODUCERS ON THE 1987-88 POOL ACCOUNT — DESIGNATED BARLEY

For the period August 1, 1987 to September 30, 1988
with prior year figures for the 1986-87 Pool Account for comparison

	1987-88 Pool Account		1986-87 Pool Account	
	Amount	Rate per Tonne	Amount	Rate per Tonne
Receipts from Producers	1 022 885 tonnes		1 035 883 tonnes	
Sales value	$149,710,238	$146.361	$147,718,010	$142.601
Initial payments to producers	130,135,153	127.224	164,254,027	158.564
Gross Surplus (Deficit)	19,575,085	19.137	(16,536,017)	(15.963)
Deduct Operating Costs:				
Interest	(2,004,837)	(1.960)	(39,614)	(.037)
Demurrage	(128,420)	(.126)	118,395	.114
Interest & depreciation on Wheat Board hopper cars	341,086	.334	399,157	.385
Wheat Board administrative expenses	1,322,411	1.293	956,324	.923
Total Operating Costs	(469,760)	(.459)	1,434,262	1.385
Surplus (Deficit) on Operations	20,044,845	19.596	$(17,970,279)	$ (17.348)
Add: Interest earned after September 30	557,547	.545		
Deduct: Cost of issuing final payment	10,448	.010		
Surplus for Distribution to Producers	$ 20,591,944	$ 20.131		

77.67 per cent were Select grades. Receipts of tough and damp grades totaled 12 877 tonnes or 1.26 per cent of total.

Final Statement of Operations and Surplus for Distribution to Producers – Designated Barley – Table K

Table K shows the operating results of this Pool Account for the crop year. Marketing operations resulted in a surplus of $20,044,845. As to operating costs, it should be noted that the Designated Barley Pool by its very nature does not incur the handling expenses normally related to feeding grades of barley or other grains. It is not stored by the Board, being selected by the processor (buyer) from a producer's sample and is shipped on buyer's call directly from farm to processing plant via the country elevator. As a result the only expenses attributable to such barley were costs related to hopper cars owned by the Wheat Board, and administrative charges totaling $1,663,497 or $1.627 per tonne. These expenses were reduced by interest earnings and demurrage adjustments of $2,133,257 or $2.086 per tonne. After providing for the cost of issuing the final payment and adding estimated interest earnings subsequent to September 30, 1988, the net surplus for distribution to producers was $20,591,944 or $20.131 per tonne on producer deliveries of 1 022 885 tonnes. Table L shows the total payment received by producers for the principal grades of designated barley delivered during the crop year.

TABLE L

PAYMENTS RECEIVED BY PRODUCERS FOR PRINCIPAL GRADES OF DESIGNATED BARLEY BASIS IN STORE THUNDER BAY OR VANCOUVER

Grade	Initial Payments	Final Payments	Total
	(Dollars per Tonne)		
Designated Barley Grades			
Special Select Canada Western Two-Row	$135.00	$16.668	$151.668
Special Select Canada Western Six-Row	125.00	20.668	145.668
Select Canada Western Two-Row	130.00	19.168	149.168
Select Canada Western Six-Row	120.00	23.168	143.168